

# SUBCOMMITTEE NO. 3

# Agenda

## Health, Human Services, Labor & Veteran's Affairs

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Chair, Senator Elaine K. Alquist  
Senator Alex Padilla  
Senator Mark Wyland



### Agenda – Part B

Monday, May 5, 2008  
10:30 am  
Room 2040  
(Consultant: Bryan Ehlers)

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## 8950 Department of Veterans Affairs

The California Department of Veterans Affairs (CDVA) has three primary objectives: (1) to provide comprehensive assistance to veterans and dependents of veterans in obtaining benefits and rights to which they may be entitled under state and federal laws; (2) to afford California veterans the opportunity to become homeowners through loans available to them under the Cal-Vet farm and home loan program; and (3) to provide support for California veterans' homes where eligible veterans may live in a retirement community and where nursing care and hospitalization are provided.

The department operates veterans' homes in Yountville (Napa County), Barstow (San Bernardino County), and Chula Vista (San Diego County). The homes provide medical care, rehabilitation, and residential home services. With \$50 million in general obligation bonds available through Proposition 16 (2000), \$162 million in lease-revenue bonds (most recently amended by AB 1077 [Chapter 824, Statutes of 2004]), and federal funds, new homes will be constructed in West Los Angeles, Lancaster, Saticoy (Ventura County), Fresno, and Redding.

### The Governor's 2008-09 Proposals

The Governor's Budget begins by funding 1,896.5 positions (including 238.6 new positions) and budget expenditures of \$381 million for the department, but then includes a 10-percent, across-the-board General Fund (GF) reduction (Budget-Balancing Reduction–BBR) of \$19.4 million and 118.5 positions. The individual BBRs are as follows:

Program	General Fund*	Personnel Years (PYs)
Care of Sick and Disabled Veterans	-\$18,687	-115.0
Veteran Claims	-\$263	-1.0
Veteran Memorials	-\$32	--
Veterans Claims and Rights (Local Assistance to Veterans Service Offices)	-\$260	--
General Administration (Administrative Support)	-\$149	-2.5
<b>TOTALS</b>	<b>-\$19,391</b>	<b>-118.5</b>

(\*dollars in thousands)

Staff notes that because the Administration changed the way it accounts for federal funds and reimbursements for the CDVA, the GF numbers above are "inflated" by approximately \$5 million. Put another way, \$5 million of the GF reduction scored by the Administration actually comes to the state as reimbursements or federal funds from non-state sources. In order to provide a clearer comparison between the adjusted Fiscal Year (FY) 2007-08 totals and the 2008-09 Governor's Budget, the following table uses the traditional accounting method in which federal funds and reimbursements are kept separate from General Fund:

	<b>Total Funds*</b>	<b>General Fund*</b>	<b>Positions</b>
Adjusted 2007-08 Budget	\$366,238	(\$125,919)	1,652.5
2008-09 Base Budget	\$381,226	(\$138,307)	1,896.5
Proposed Budget-Balancing Reductions	-\$19,391	(\$14,246)	-118.5
<b>GOVERNOR'S REVISED 2008-09 TOTALS</b>	\$361,835	(\$124,061)	1,778.0
<b>Change—Year Over Year</b>	-1.2%	-1.5%	+7.6%

(\*dollars in thousands)

As illustrated in the table above, the net effect of the Governor's proposals would be a 1.2 percent decrease in total funds from adjusted Fiscal Year 2007-08, including approximately \$1.9 million less in GF.

Staff notes that although the above table displays the 2008-09 CDVA proposed budget using the conventional accounting methodology, unless otherwise noted the remainder of this agenda references dollars provided in the 2008-09 Governor's Budget using the Administration's alternative accounting method. Although confusing for the purposes of comparing budget year proposals to current or past years, the time constraints inherent to the budget process simply do not permit all of the numbers to be "translated" at this point in time.

#### ***VOTE-ONLY AGENDA:***

### **CDVA Vote-Only Item 1: Finance Letter (FL) – Dietary and Food Service Staffing Increase**

The CDVA requests 7.5 positions and \$380,000 GF to address health and safety risks associated with the disabled residents who dine in the main dining room at the Yountville veterans home.

**Staff Comment:** The Yountville main dining room was set up as a self-serve cafeteria at a time when the veterans home was intended to serve self-sufficient residents. As a result, the dining room was not staffed to provide table service to 80-100 disabled residents per meal. Given that the average age of the residents at Yountville is 79.5 years of age, many suffer from low vision, decreased motor functions, or more serious medical conditions, and require assistance in order to dine in the main dining room. According to the CDVA, these residents require assistance ranging from reading and selecting from the menu, to making trips back and forth to the service area, to monitoring for choking, spills, and biohazards. The department reports that there were thirteen falls and two choking incidents recorded in 2007.

While the CDVA currently supports resident dining room needs using overtime, temporary help, and resident employees, the department indicates that the United States Department of Labor has demanded that the resident employees be reassigned to less stressful, less physically demanding, and more age-appropriate functions that do not impact food safety (for example, distributing and reading menus or making holiday decorations).

**Staff Recommendation:** APPROVE the request.

### **CDVA Vote-Only Item 2: FL – Veteran Services Mental Health Network Development and Federal VA Referrals**

The CDVA requests 2.0 positions and \$496,000 (Mental Health Services Fund—Proposition 63) to begin development of a statewide network for veteran mental health referrals. Of the request, \$226,000 would support state operations and \$270,000 would be for local assistance (County Veterans Service Offices).

**Staff Comment:** Chapter 221, Statutes of 2005 (AB 599) identified veterans as a priority population for provision of county mental health services and mandated that county mental health providers refer those veterans to the County Veterans Service Organization to determine eligibility for, and assistance in seeking, health care services (including mental health services) from the federal Veterans Administration. According to the CDVA, this proposal would begin to address the funding and networking shortfalls created by AB 599 and help ensure that veterans in need of services do not “fall through the cracks.” The Department of Mental Health, which administers the Proposition 63 funds that would sustain this activity, supports this proposal.

Staff notes that a class-action lawsuit was recently brought against the United States Department of Veterans Affairs (VA) for failure to provide adequate mental health care to veterans suffering mental trauma after service in Afghanistan or Iraq. According to the VA, the suicide rate among veterans of all wars is currently 18 per day—a rate three to seven times that of the general population according to a suicide expert who testified in the trial.

Given that mental health is a new service for the CDVA, staff recommends the Subcommittee approve provisional language to require the department to report on program outcomes in two to three years.

**Staff Recommendation:** APPROVE the request with provisional language to be developed by staff, in consultation with the LAO and the Administration.

### **CDVA Vote-Only Item 3: Trailer Bill Language – Adult Day Health Care Fees**

The Administration has submitted Trailer Bill Language (TBL) to authorize the CDVA to charge a fee for its new adult day health care program.

**Staff Comment:** This item was originally held open in anticipation of revised language. The Administration subsequently submitted the revised trailer bill language, which contains a provision allowing the CDVA to adopt regulations to waive a portion of the adult day health care fee for individual members based upon a defined means test. Staff has no concern with the revision, but notes that this TBL is unnecessary at this time given that the Administration has proposed to delay the implementation of the ADHC program (see Discussion Item 5 below).

**Staff Recommendation:** DENY the TBL in anticipation of approving the reduction/delay in Discussion Item 5.

**VOTE to APPROVE the Staff Recommendation for Vote-Only Items 1, 2, and 3:**

***DISCUSSION AGENDA:***

<b>CDVA Item 1: BCP-5 – Fiscal Operations—Effective Fiscal Oversight (HQ)</b>
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The CDVA requests 14.0 positions and \$1.3 million GF to address deficiencies in fiscal controls and provide effective fiscal oversight of budget development, capital outlay, accounting, and financial and fiscal operations for the department, particularly at the veterans homes.

**Staff Comments:** This request stems from a corrective action plan developed by the CDVA in response to Budget Bill Language instituted as a result of errors and inconsistencies in budget documents produced by the department during the FY 2006-07 budget process.

As discussed at an earlier hearing, while the CDVA makes a compelling case for the need for five budget/fiscal support staff, the immediate need for the remainder of this proposal is less clear at the present time. For example, it is not apparent that the department currently has the need for an entire unit devoted to cost analysis and forecasting (though it might once all eight homes are on-line). Given the tight constraints on the GF in the current fiscal crisis, a more measured approach to staffing these new functions might be warranted.

Staff originally recommended denying 5.0 of the requested positions (2.0 Research Analysts, 1.0 SSM III, 1.0 SSA, and 1.0 Mgmt Svcs Tech), and instead providing the incremental funding necessary for the CDVA to upgrade an existing SSM II (in the Budget Office) to an SSM III in recognition of the position's increased managerial responsibilities. Based on subsequent discussions with the department, staff has revised the above recommendation as follows: approve the 1.0 Mgmt Svcs Tech, but deny 1.0 Associate Governmental Program Analyst instead.

**Staff Recommendation:** APPROVE 9.0 positions and DENY 5.0 positions (as described above).

**VOTE:**

### **CDVA Item 2: BCP-10 – Capital Assets, Facilities Management and Construction**

The CDVA requests \$3.2 million GF and 19.0 positions (including \$1.1 million for deferred maintenance) to address increased workload in construction planning and implementation, capital outlay, and facilities management.

**Staff Comments:** This proposal reflects a request to: (1) make permanent last year's approval of 8.0 one-year limited-term positions and \$1.9 million GF to address deferred repair and maintenance at the homes (primarily Yountville) permanent; and (2) create a new division of Capital Assets, Facilities Management, Maintenance and Construction (an additional 11.0 positions).

As discussed at an earlier hearing, while the significant maintenance needs of the aging facility at Yountville and the imminent construction of several new veterans homes highlights the need for the CDVA to be proactive in managing its capital assets, like the Fiscal Operations proposal above (Discussion Item 1), some of the positions in this proposal appear to be unjustified at this time. In fact, the CDVA itself acknowledges that the staffing complement requested would be adequate to address the needs of the department after all eight homes are up and running.

The staff recommendation was to deny 4.0 positions (the Direct Construction Supervisor II, the SSM II, the AGPA, and an OT), and approve the deferred maintenance funding for one-year (with the expectation that any future request for ongoing funding should be accompanied by a long-term deferred maintenance plan). Based on subsequent discussions with the department, staff has revised the above recommendation as follows: approve the Direct Construction Supervisor and the SSM II, but deny 1.0 SSM I (Sup), 1.0 Construction Project Director (Exempt), and 1.0 Direct Construction Supervisor II instead.

**Staff Recommendation:** APPROVE 14.0 positions and DENY 5.0 positions (as described above).

**VOTE:**

### **CDVA Item 3: BCP-2 – GLAVC Veterans Homes Start Up Staffing, Phase II**

The CDVA requests \$9.4 million GF and 100.7 positions to complete construction, pre-activation, and begin business operations of the Greater Los Angeles/Ventura Counties (GLAVC) Veterans Homes.

**Staff Comments:** This request was discussed at a previous hearing and held open pending further clarification on the ADHC-portion of the proposal. Questions regarding

the ADHC program were addressed in subsequent talks with the department, and, assuming the subcommittee approves the Governor's proposal to delay implementation of the ADHC program until FY 2009-10 (see Item 5 below), staff raises no additional concerns with the proposal at this time.

**Staff Recommendation:** APPROVE the request in anticipation of approving the associated reductions in Item 5, with funding adjustments discussed at the March 10 hearing (related to changes in the Operating Expenses & Equipment calculator used by the department).

**VOTE:**

#### **CDVA Item 4: BCP-3 – Redding and Fresno Veterans Homes Pre-Activation**

The CDVA requests \$580,000 GF and 8.0 positions (4.3 PYs in 2008-09) for the pre-activation phases of the Redding and Fresno Veterans Homes projects to ensure that all aspects of the construction and business operations of the homes are compliant with federal, state, and local laws and regulations.

**Staff Comments:** The legislation enacted in 2005 provided authority and a fund source for two new veterans homes (Redding and Fresno) to be modeled after the GLAVC satellite facilities in Lancaster and Ventura County. This BCP reflects the current plan to begin construction of these homes in November 2008, with Redding to be completed in October 2010, and Fresno in February 2011.

As discussed previously, the Governor's proposed BBR (Item 5 below) would delay the pre-activation phase for these new homes until FY 2009-10 (essentially placing this BCP on hold for a year). Consistent with prior legislative intent, the Subcommittee may wish to approve this proposal; however, because these homes represent a significant out-year GF-pressure, staff notes that this request and the decision to move forward with the construction of the two new homes may warrant reconsideration at a future hearing should the Governor's May Revise reflect a further deterioration in the state's fiscal outlook.

**Staff Recommendation:** APPROVE the request in anticipation of approving the associated reductions in Item 5, with funding adjustments discussed at the March 10 hearing (related to changes in the Operating Expenses & Equipment calculator used by the department).

**VOTE:**

#### **CDVA Item 5: BBR – Ten Percent Cut to Care of Sick and Disabled Veterans Program**

The Governor proposes to reduce veterans home budgets by a total of \$18.7 million GF and 115.0 positions relative to the "workload" budget prepared by the Administration.

**Staff Comments:** As noted above, the Administration first approved a number of baseline and policy adjustments (a “workload” budget), before applying a ten-percent GF reduction. For example, the Governor approved funding to finish construction and activate new veterans homes in Lancaster and Ventura County, and to begin pre-activation and construction on homes in Fresno and Redding, and then ordered certain delays in these activities (outlined below) to help achieve a ten-percent savings.

According to the Administration, the proposed reductions would be taken in the following manner:

- Limit expansion of the Memory Care Unit at Yountville to 40 beds [instead of 75, as approved in FY 2006-07], resulting in fewer veterans served.
- Reduce the Chula Vista Domiciliary/Residential Care Facility for the Elderly (DOM/RCFE) census by approximately 60 residents. Some former residents of Barstow have already expressed interest in returning to that home, while the rest of the reduction would be achieved through normal attrition as residents require higher levels of care or move to other placements.
- Postpone by three months, until Fiscal Year 2009-10, the opening of the Adult Day Health Care (ADHC) unit at the Lancaster and Ventura County homes.
- Delay establishing the pre-activation teams at both Redding and Fresno until July 2009.
- Eliminate the VistA component from the Enterprise-wide Veterans Home Information System project [approved in FY 2007-08].

Staff notes that the Legislature approved the current year component of this BBR proposal in special session, including a GF reduction of \$1.7 million and 17.8 positions.

**Staff Recommendation:** APPROVE the reduction.

**VOTE:**

<b>Informational Item: Yountville Audit Finds Chronic Staff Shortages</b>
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In a recently released report on the veterans home at Yountville, the Bureau of State Audits (BSA) found that:

- *Chronic shortages in key health care positions, such as nursing, have limited the Veterans Home in serving the veteran community. Some nursing staff have worked substantial amounts of overtime to meet staffing guidelines for providing care to members who live in the skilled nursing and intermediate care facilities.*
- *Despite these staffing shortages, the Veterans Home has not had a coordinated and comprehensive strategy for filling chronic staff vacancies in especially important occupational areas.*
- *Weak oversight of its medical equipment maintenance contract provides the Veterans Home little confidence that the equipment has received regularly scheduled testing and maintenance, thereby risking not having properly functioning equipment available when needed and making inappropriate payments to its medical equipment contractor.*



- *The Veterans Home has not assessed its compliance with Americans with Disabilities Act requirements to ensure people with qualifying disabilities have access to the Veterans Home and its programs and services, or designated a representative to respond to complaints of inaccessibility from members.*
- *State agencies responsible for investigating and resolving complaints by Veterans Home members regarding the Veterans Home and its programs and services, the Veterans Home, the California Veterans Board, the California Department of Veterans Affairs, and the California Department of Public Health, could improve their practices regarding those responsibilities.*

Although the BSA did not find that the health and safety of Yountville residents was compromised by the weaknesses noted above, the BSA did express concern that these weaknesses created the potential for such compromises in the future. The Subcommittee may wish the BSA to briefly discuss the basis for its findings, and to hear the CDVA's response. Specifically, the Subcommittee may wish the CDVA to address the following questions:

1. How does Yountville plan to ensure the continued health and safety of residents in the face of the ongoing staffing shortage? Does the home intend to develop a comprehensive recruitment and retention plan as recommended by the BSA? If so, when would it be completed and implemented?
2. What specific steps are being taken to strengthen oversight of medical equipment maintenance?